

COMMISSION OF THE EUROPEAN COMMUNITIES

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EXTERNAL ELEMENT OF THE STEEL PLAN FOR 1983

(Commission Communication to the Council)

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COMMISSION COMMUNICATION TO THE COUNCIL

Subject: External element of the steel plan for 1983

I. Introduction

To ensure effective application of the internal element of the steel plan it is necessary that the external element should remain in force. It is essential that external measures be taken to support the internal anti-crisis measures adopted since 1978 in pursuit of the Council's steel objectives and to ensure that they lose none of their impact.

II. Functioning of the instruments of the external element of the steel plan

Depending on whether or not the Commission has concluded arrangements with the non-member supplier countries, imports are subject to basic prices or to the arrangements system. Both of these are backed up by forward and retrospective statistical surveillance measures.

(a) Basic prices

The basic prices constitute the instrument in force with regard to imports originating in non-member countries with which the Commission has not concluded an arrangement. These prices are adjusted periodically according to the increase in production costs in the supplier country or countries where normal conditions of competition apply in respect of steel products, or are amended in accordance with exchange rate changes. The next amendments will be published before the end of the year.

This year has brought a sharp increase in imports from countries covered by the basic price system, with the monthly average over the first half of the year over 30% higher than in 1980. This accounts for the substantial increase in the Community's total steel imports over the first half of 1982. Over the last few years in general, and in 1982 in particular, there has been a sharp increase in the share of the Community's total steel imports supplied by countries covered by the basic price scheme. In many cases, prices lower than the basic prices have been quoted.

To combat this disturbing development, as soon as the Commission has received the relevant data, it has initiated anti-dumping proceedings and has imposed countervailing duties in respect of the most massive imports originating in countries subject to the basic price system, notably Brazil as regards the products not covered by the arrangement. The Commission is currently in the process of initiating an anti-dumping proceeding in respect of coils and sheets originating in other countries without an arrangement.

(b) Arrangements

For 1982 the Commission renegotiated and extended the arrangements concluded with 14 partners in 1981. It has held regular consultations with its partners in order to ensure compliance with the provisions of the arrangements; it has also consulted the Member States at the weekly meetings of the Steel Liaison Committee on various questions relating to the administration of the arrangements.

- Quantitative aspect

These arrangements cover some 75% of imports into the Community; this proportion has, however, shown a downward trend in 1982 because of increased imports from countries not covered by an arrangement.

In accordance with the Council Decision of 9 December 1981, the Commission has applied to the quantities negotiated in 1980 in the bilateral arrangements a 9.5% reduction. The situation was not such as to permit a reduction in this figure for the second half of the year.

An examination of the trend of trade with the EFTA countries reveals a balance in favour of the Community on the basis of the criterion of reciprocity which governs this trade.

For certain other arrangement countries, the beginning of the year showed an appreciable recovery in deliveries, but it can be anticipated that the quantities fixed for 1982 will to some extent be unused since the pace of deliveries will be reduced very considerably in the second half.

It can be anticipated that the level of quota utilization for 1982 will be around 75%.

In the course of the year particular difficulties have arisen in relations with certain partners as regards compliance with the overall quantities and the proper application of the geographical distribution and staggering clauses.

In addition, the monitoring of these provisions by the Commission has been made more difficult by the fact that certain Member States have not always applied in a very satisfactory way the rules laid down for the administration of the arrangements. For its part, the Commission has imposed sanctions on one of its arrangement partners in the form of the exclusion of a product from the arrangement price rules followed by its subjection to the basic prices and the introduction of an anti-dumping duty; in other cases, a suspension or halting of deliveries to certain Member States of products originating in certain non-member countries covered by an arrangement has been obtained.

- Price rules

Two factors have influenced compliance with the price rules of the arrangements:

- (i) the recovery in internal prices during the first half of 1982, which, for a number of products, has ensured compliance with the price rules; however, over the same period some low-price quotations have been noted for various products, particularly as a result of alignment on price scales lower than the general level or on real market prices;

- (ii) the renewed weakening of prices observed during the summer for certain products leading to a lesser degree of compliance with the price rules and in addition a reduction in the volume of imports.

As regards the arrangement countries, it is only via strict application of the surveillance system by all the Member States that the Commission can verify whether the undertakings are being respected. It is more important than ever that each Member State should inform the Commission, on a case-by-case basis with all necessary details, of any infringement of the price rules.

(c) Surveillance system

The surveillance system has been extended until the end of 1982.

The late communication of statistics by certain Member States has hampered the proper administration of the system during the first half of the year.

III. External element of the steel plan for 1983

(a) Basic prices

The Commission will revise the basic prices before the end of the year to reflect the increase in production costs and to take account of the exchange rate changes that took place on 14 June 1982. If the Member States and the Community industry give the Commission the necessary assistance, it will be able to ensure an improved level of surveillance of the imports subject to basic prices; to that end it is proposing to carry out a monthly examination within the Liaison Committee of the trend - quantities and prices - of the imports from the countries not covered by an arrangement, thereby ensuring the implementation of the instruments providing trade protection against unfair competition.

(b) The arrangements system

The arrangements are based on uniform principles, but are adapted, in form and more specifically in their quantity provisions, according to the particular relationships that exist between the Community and its partner countries. This should not be changed.

The Commission proposes that the main provisions of the arrangements should be continued without change for 1983. The following are the essential features:

- an obligation to respect the price discipline
- margin of penetration
- Community producers are forbidden to align their prices on prices offered by arrangement countries
- product coverage
- quantity provisions - maintenance of traditional trade flows in the light of the trend on the Community market
- observance of provisions for the staggering of exports to the Community, their regional distribution and product-spread
- the application of basic prices to indirect imports and the counting of such imports against the agreed quantities
- the exclusion from the coverage of the arrangements of temporary imports for hire-processing on the condition that the ownership of the product does not change
- special provision for imports of steel for use in shipbuilding and repair-yards
- consultation clause
- suspension clause.

Examination of the various clauses contained in the arrangements and improvements to be made for 1983

- Geographical scope

The Commission proposes that for 1983 the Steel Arrangements be extended with the same countries that were involved in 1982, namely: Austria, Finland, Norway, Sweden, Australia, Brazil, South Korea, Spain, Bulgaria, Czechoslovakia, Hungary, Poland and Romania, including the special "understanding" with Japan. The Commission is prepared to examine the desirability and possibility of extending the product coverage for Brazil and of concluding arrangements with other partners.

- Fixing of the quantities

As regards the quantitative aspects, the Council would be invited to set the limits for 1983. The principles in force would be applied: the new quantities should take account of the trend of apparent consumption in the Community. The Community must follow the guiding principle of fair burden-sharing as set out in the 1977 OECD consensus.

For its part, the Commission considers that in view of the foreseeable trend of demand in 1983 a slightly greater reduction than in 1982 in the quantities could be adopted.

It will be necessary to retain the clause providing for consultations in mid-year at which an adjustment to take account of any improvement in the market would be possible for the second half of 1983.

The quantities not used under the arrangements for 1982 cannot be carried over to be added to the quantities envisaged for 1983.

In the negotiations with the EFTA countries, the Commission will take account of the special nature of the arrangements with those countries, which are concluded on the basis of the free-trade agreements.

The unilateral quotas applied by certain Member States in respect of the Eastern trading area may be maintained at their traditional level.

- Regional aspects, staggering and breakdown by product

The Commission will monitor compliance with the clause concerned with regional distribution, staggering and product breakdown. Compliance with this clause is of particular importance in the case of the major suppliers.

The need to comply with the obligations arising from this clause will be highlighted during the negotiations. In the event of difficulties occurring in 1983, immediate consultations will be organized to find a solution. The Commission will be at pains to ensure that third countries comply with the above clause in regard to any region which is particularly liable to be affected by infringement of the rules governing import prices.

- Checks and penalties

The system of retrospective and forward surveillance will be reintroduced in 1983.

Improved collaboration on the part of the Member States - principally through the expedited supply of statistics and the more rapid establishment of infringement files to enable the Community to take the action open to it - would enable the Commission to strengthen the effectiveness of the clauses laid down in 1982 without the inclusion of additional provisions, which would be liable to prejudice the negotiability of the arrangements for 1983.

The Commission proposes that when there are indications that the price rules are being infringed in respect of a given product or country it should bring this to the attention of the Steel Liaison Committee so that the Member States can monitor the imports in question more closely.

IV. Procedure

The negotiations with the partner countries will be conducted by the Commission in agreement with the Member States within the framework of the Steel Liaison Committee. The texts of the arrangements will be submitted, before conclusion, to the Permanent Representatives Committee, in particular to obtain assent for the prohibition of price alignment.

V. Summary of the Commission proposals

To sum up, the Commission requests that the Council give its agreement to the following:

- In line with the OECD declaration, the Commission will propose to certain countries which export steel to the Community that, in order to avoid disturbances on the Community market, they should conclude bilateral arrangements with the Community involving price discipline. At the same time, assurances will be given on the maintenance of traditional trade flows, allowance being made, however, for any possible reduction in demand foreseen for 1983 and also for the anti-crisis measures in force pursuant to Article 58 ECSC, which apply until 30 June 1983.
- The Commission will present to the Permanent Representatives Committee its proposals on the quantitative aspects of the arrangements with the partner countries for which figures have to be agreed; on the basis of the data available to the Commission, it considers that a slightly greater reduction than in 1982 is justified for 1983.
- The Commission will report regularly to the Steel Liaison Committee on the negotiations; the Committee will examine any questions that arise with a view to finding appropriate solutions.
- Questions that cannot be resolved by the Steel Liaison Committee will be referred to the Permanent Representatives Committee.
- The Commission will present the texts of the arrangements to the Permanent Representatives Committee before they are concluded.